

19 September 2025
Energy Policy WA
Level 1, 66 St Georges Terrace
Perth WA 6000

Sent via email: energymarkets@deed.wa.gov.au

Dear Energy Policy WA,

Benchmark Capacity Providers Review

The Chamber of Minerals and Energy of WA (CME) is the peak representative body for the resources sector in Western Australia. CME is funded by member companies responsible for 90 per cent of the State's onsite minerals employment.¹

In 2023-24, the WA resources sector accounted for 45 per cent of WA's economic activity,² 93 per cent of goods exports³ and 43 per cent of investment.⁴ The sector contributed one third (31.5 per cent) of the WA Government's general revenue via royalties, payroll and other taxes and fees,⁵ enabling the provision of essential public goods and services such as doctors and nurses, teachers and police. CME's 2023-24 Economic Contribution Survey found that the WA resources sector supported 3 in 10 jobs in the State.⁶

CME's members account for around 60 per cent of large industrial demand on the South West Interconnected System (SWIS) and rely on the SWIS for reliable, cost-competitive electricity for their operations.

Summary

CME welcomes the opportunity to provide comment on the Benchmark Capacity Providers Review, which is a key input into the cost of providing reliability services for the SWIS. Access to low emission, reliable and globally cost-competitive energy is a key enabler for the ongoing viability of existing operations, the achievement of emissions reductions targets and the ability to secure future investment. Third party modelling⁷ undertaken by CME has highlighted the need for energy storage greater than 4 hours in duration, especially with increasing renewable energy integration and peak demand. We therefore welcomed the increase in the Energy Storage Resource Requirement (ESRR) from 4 to 6 hours in the Australian Energy Market Operator's (AEMO) 2025 Electricity Statement of Opportunities (ESOO).⁸ With total delivered electricity costs for industrial customers on the SWIS estimated to have roughly doubled⁹ over recent years, it is imperative this reliability is provided at the lowest possible cost.

¹ Government of Western Australia, [2023-24 Economic Indicators Resource Data File](#), full-time equivalents onsite under State legislation, Department of Energy, Mines, Industry Regulation and Safety, 29 October 2024.

² As measured by gross value add (GVA). Australian Bureau of Statistics, [5220 Australian National Accounts: State Accounts](#), Table 6.

³ Department of Energy, Mines, Industry Regulation and Safety (DEMIRS), [2023-24 Economic Indicators Resource Data File](#), released 29 October 2024.

⁴ Includes Gross Fixed Capital Formation plus minerals and petroleum exploration. Australian Bureau of Statistics, [5220 Australian National Accounts: State Accounts](#), Table 25. Australian Bureau of Statistics, [8412 Mineral and Petroleum Exploration](#), Table 4.

⁵ Includes royalties, Commonwealth grants from North West Shelf royalties and iron ore lease rentals plus surveyed expenditure on payroll and other taxes and fees. Government of Western Australia, [2023-24 Annual report on State finances](#), Department of Treasury, 27 September 2024, Table 2.1 Operating Revenue: General Government, pp 164-165; CME 2023-24 Economic Contribution Survey.

⁶ Direct and indirect jobs. CME, [2023-24 Economic Contribution: Western Australia](#), March 2025.

⁷ [CME SWIS Energy Report, 2024](#)

⁸ AEMO, [2025 Electricity Statement of Opportunities](#)

⁹ [CME SWIS Energy Report, 2024](#)



CME is broadly supportive of the proposed reference benchmark capacity technologies (Proposal A) and approach to determining the Cost of New Entry (CONE) under the Benchmark Reserve Capacity Price (BRCP) determination (Proposal B). Further detail is provided below.

Proposal A – The proposed reference technologies for the Peak and Flexible Benchmark Reserve Capacity Prices are 200MW/1200 MWh Lithium BESS connected at 330 kV

CME supports the provision of reserve capacity at lowest possible cost and is broadly comfortable with EPWA's proposed reference technologies for the Peak and Flexible BRCPs to be a 200 MW/1200 MWh Lithium BESS connected at 330 kV. The consultation paper's analysis shows that the proposed 6-hour BESS system is the least cost option with regards to annual capital cost and annual fixed operating and maintenance costs (on a per MW basis). However, we note that the move from a 4-hour to 6-hour Battery Energy Storage System (BESS) is likely to result in higher reserve capacity charges for consumers.

More broadly, we understand that procurement lead times and delays in obtaining network connections are not considered in the determination of reference technologies. There is an urgent need to speed up approvals and network connection processes across the SWIS to enable the timely delivery of a low emission, reliable and cost-competitive electricity grid.

Proposal B – EPWA proposes to retain the gross Cost of New Entry (CONE) approach to the BRCP determination

CME supports retaining a gross Cost of New Entry (CONE) approach to the Benchmark Reserve Capacity Price (BRCP) determination. The BRCP is designed to enable reference technologies to recover all of their capital and fixed costs without any other market revenue. Since batteries can earn revenue from additional avenues such as energy arbitrage (e.g. charging at lower prices than the price it sells at) and frequency regulation, using the net CONE approach is typically preferred as it subtracts the value of those earnings so consumers only pay for what's needed to ensure the benchmark reserve capacity provider can recoup its costs. In contrast, the gross CONE approach could overcompensate flexible technologies like batteries and result in higher overall costs to consumers.

However, the analysis from the Co-ordinator shows that there is minimal difference between the net and gross CONE calculations, due largely to substantial quantities of BESS capacity entering the market. The net CONE approach is therefore expected to add complexity and uncertainty to the BRCP determination without any significant decrease in costs for consumers. Therefore, we support retaining a gross CONE approach as part of this consultation but recommend re-assessment of the net vs gross CONE calculation in future reviews of the reference technologies.

In conclusion, we are supportive of Proposal A adopting a 200 MW/1,200 MWh lithium-ion BESS as the proposed reference technology as it is the least cost option. We also support retaining a gross CONE approach for Proposal B. CME looks forward to continued engagement further with EPWA to deliver the timely delivery of a low emission, reliable and globally cost-competitive energy system in WA. Should you have any questions regarding this submission, please contact Aaron Walker, Head of Economics, on 0477 679 195 or a.walker@cmewa.com.

Yours sincerely,

Anita Logiudice
Director, Policy and Advocacy